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PREFACE

In the spring of 1919 the writer was delegated by the War Finance Committee of the American Economic Association to conduct an investigation of the Excess Profits Duty of Great Britain.* It was hoped that data might be secured which would aid in arriving at a sound conclusion regarding the question of the future of special profits taxation in the United States—whether such a tax should be made a permanent part of the federal tax system and, if so, what should be its form.

The instructions given were very broad and general. They were that the investigator should attempt to secure such information as was available regarding (a) the interpretation of the law by the Inland Revenue Department and the methods adopted by them in meeting problems similar to those which had caused difficulty and dissatisfaction in America, (b) the administrative machinery used in assessing and collecting the tax in so far as it offered suggestions for improvement in our American system, and (c) the opinion of business men, Treasury officials and the public generally, regarding the economic effects of special profits taxation and the place of such taxation in a peace-time revenue system. In addition, Professor T. S. Adams, then Chairman of the Advisory Tax Board, Bureau of Internal Revenue, requested that certain specific information regarding procedure be obtained, some of which was concerned with the excess-profits tax and some with the income tax.

The scope of this assignment and the limited time available for the investigation explain the character of the report. From the welter of material which might have been presented, it has been necessary to select on the basis of relevancy to the American problem. Consequently, although the report contains much descriptive

* Shortly after the formation of the committee in the spring of 1918, plans were made to send a commission to England to study the Excess Profits Duty. However, because of the impossibility of securing passports at that time the project was temporarily abandoned. It was revived the following year when the passport difficulties had disappeared. As constituted in the spring of 1919 the commission was to consist of Mr. George E. Holmes, of New York, Professor Harold N. Burbank, of Harvard University and the writer. Both Professor Burbank and Mr. Holmes found it necessary to withdraw before the date of sailing, so that the field investigation had to be conducted single-handed. However, Mr. Holmes by advice and criticism assisted materially in the formulation of the report.

material which may prove of some worth as a historical record, it does not presume to be a complete history, an exhaustive treatment of organization or a comprehensive manual of procedure. It is rather an account of those phases of British experience and those conclusions of British thinkers which seem most likely to be of interest to students of American financial problems at this precise time.

The investigator was in England from July 20th until August 29th. During most of that period he was in London, from which place he made short journeys to various provincial cities to confer with business men, economists and others who had information or opinions which promised to be of interest. His thanks are due to a large number of persons, all of whom were so kind in forwarding the investigation that it may appear ungenerous to isolate individuals for particular mention. It is not possible to refrain, however, from acknowledging his very special debt to Dr. J. C. Stamp, D. C. E., (now Sir Josiah Stamp, K. B. E.), whose advice and guidance proved to be invaluable, and to Mr. G. B. Canny, of the Board of Inland Revenue, upon whose shoulders fell the task of initiating the investigator into the mazes of British procedure.

As was to be expected, almost all of the business men interviewed made it clear that they preferred not to be quoted directly as having made specific statements regarding the effect of the operation of the Excess-Profits Duty. Very often the facts given were highly confidential in their character, relating to the finances or business practices of themselves and their friends. They were quite willing to tell in confidence how they or their acquaintances were affected by the Duty, or how they avoided the more dire consequences of the law, or to express their frank opinion of the commissioners of Inland Revenue, but, very naturally, they did not care to authorize the publication of their statements in a form which might react to their future embarrassment. Consequently, many of the assertions made in the course of the report are supported, not by specific references to persons and dates, but merely by the investigator's private notes of various conversations. It is, of course, unfortunate that this must be so but by the nature of the conditions there can be no other course. Where specific citations are missing in cases of statements regarding procedure, the basis can be assumed to be either direct information supplied by Treasury officials or confidential documents not ordinarily available.

In order that a conception may be gained, however, of the nature of the sources of the information, the names are given below of all persons interviewed, except those few who requested that their names be not mentioned in any connection. They include: The Rt. Hon. Austen Chamberlain, Chancellor of the Exchequer; The Rt. Hon. Reginald McKenna, formerly Chancellor of the Exchequer, now Chairman, London Joint City and Midland Bank; Henry Higgs, the Treasury; H. P. Hamilton, Deputy Chairman, Board of Inland Revenue; G. B. Canny, Assistant Secretary, Board of Inland Revenue; R. V. N. Hopkins, Commissioner of Inland Revenue; E. R. Harrison, Inland Revenue; Sir Josiah Stamp, formerly Assistant Secretary, Board of Inland Revenue, member, Royal Commission on the Income Tax; W. E. Snelling, formerly of the Inland Revenue, now tax consultant; E. A. McNeill, formerly of the Inland Revenue, now with Spicer and Pegler, accountants; Sir Hamar Greenwood, Under-Secretary to the Foreign Office, Overseas Trade Department; Professor S. J. Chapman, Board of Trade; Professor H. S. Foxwell, University of London; Professor F. Y. Edgeworth, Oxford University; Mrs. Lilian Knowles, University of London, member, Royal Commission on the Income Tax; H. B. Henderson, Cambridge University; J. A. Hobson; Sidney and Beatrice Webb; Joseph Thorp; John Hilton; Henry Clay; G. D. H. Cole; A. W. Madsen and John Paul, United Committee for the Taxation of Land Values; Hartley Withers, Editor of *The Economist*; Sir Alexander D. Kleinwort, Alexander Kleinwort Sons & Co.; Sir Woodman Burbridge, Managing Director, Harrod's Stores, Inc.; The Hon. John Barry, Kirkcaldy Linoleum Co.; H. Gordon Selfridge; Sir Wilfred Stokes, Managing Director, Ransomes & Rapier, Ltd., Chairman of the Executive Committee of the Controlled Firms Section of the Federation of British Industries; H. White Smith, Chairman, British and Colonial Aeroplane Co., Ltd.; Robert Sims, Chairman, Messrs. Manlove, Allicott & Co., Ltd.; R. H. Griffith, Secretary, Harrod's Stores, Inc.; Charles E. Musgrave, Secretary, London Chamber of Commerce; W. M. Borradale, Secretary, Executive Committee, Controlled Firms Section, Federation of British Industries; E. L. Hill, General Secretary, Federation of British Industries; B. Scott, Parliamentary Committee, Federation of British Industries; R. B. Dunwoody, Secretary, Association of British Chambers of Commerce; A. J. Hobson, Chairman, Thomas Turner Co., Member, Committee on

Financial Risks Attaching to the Holding of Trading Stocks; Sidney Hermon and W. B. Secretan, Directors, Horrockses, Crewdson & Co., Ltd.; W. Barracough, General Manager, Charles Semon & Co.; L. Whitby, Managing Director, Whitby Brothers, Ltd.; H. W. Marten, of Messrs. Harvey, Preen & Co., accountants; Walter P. Rocke, of Price, Waterhouse & Co., accountants; and A. Charlesworth, of Messrs. Harris, Allan & Co., Advisory Accountant, London and Eastern Counties Association of Controlled Establishments.

The writer desires to record his appreciation of the wise counsel and acute criticism of his friend, Mr. George E. Holmes. Finally in this unedited paragraph he wishes to acknowledge his indebtedness to his wife, Gertrude Hopping Haig, whose self-sacrifice made the journey possible and whose editorial skill is responsible for whatever merit the literary form of the monograph may possess.

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